

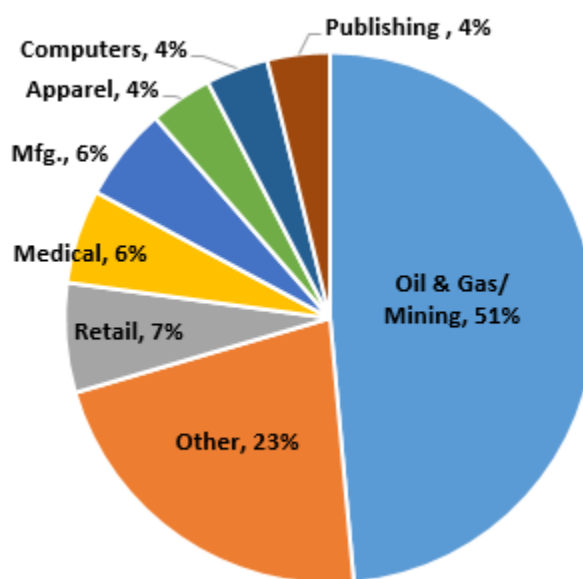
2015 Bankruptcy Recap: 46% Increase Fueled by Oil & Gas/Mining Industry Analysts Predict Further Uptick

BankruptcyData.com's analysis indicates that public* company bankruptcy filings increased by 46% in 2015—primarily driven by surging Energy sector filings. A total of 79 publicly traded companies filed for Chapter 7/Chapter 11 protection last year with \$81 billion in combined pre-petition assets**. Despite that dramatic uptick, total assets going into Chapter 11 in 2015 increased only slightly over 2014's due to Energy Future Holdings' \$40 billion bankruptcy.

The 2015 crop of publicly traded filings includes six with assets above \$3 billion compared to only two the previous year. Similarly, there were 19 bankruptcies with assets over \$1 billion in 2015 versus 11 a year ago. As the chart below reflects, eight of the ten largest Chapter 11's were initiated by companies in the Oil & Gas, Mining and related sectors—and a remarkable 51% of 2015's total public bankruptcies came from those industries.

Many Wall Street analysts, including George Putnam, Publisher of *The Turnaround Letter* and distressed securities investor, see a further increase in U.S. Bankruptcy Court activity. Putnam explains, "There could be a number of additional companies getting ready to file in 2016. The face amount of bonds that have not yet defaulted but are trading below 50 cents on the dollar jumped to about \$80 billion in December, a more than five-fold increase during 2015 and the highest level since the 2008-09 financial crisis."

2015 Bankruptcies by Industry



10 Largest Public Bankruptcies of 2015

<u>Company</u>	<u>Bankruptcy</u>		<u>Assets**</u>
	<u>Date</u>	<u>Description</u>	<u>(\$Mils)</u>
Caesars Entertainment Operating Co.	01/15/15	Operates Hotels & Casinos	\$15,973
Alpha Natural Resources, Inc.	08/03/15	Coal Supplier & Mining	10,736
Doral Financial Corporation	03/11/15	Bank Holding Company	8,493
Samson Resources Corporation	09/16/15	Independent Oil & Gas Co.	5,608
Walter Energy, Inc.	07/15/15	Produces & Exports Coal	5,386
Offshore Group Investment Limited	12/03/15	International Offshore Drilling	3,507
Molycorp, Inc.	06/25/15	Rare Earth Materials Mining	2,576
Sabine Oil & Gas Corporation	07/15/15	Independent Oil & Natural Gas	2,438
Swift Energy Company	12/31/15	Independent Oil & Gas	2,173
Patriot Coal Corporation	05/12/15	Coal Producer & Marketer	2,072

Putnam continues, "Some meaningful percentage of those issuers will not be able to refinance their debt and be forced to restructure when their debt matures, even if the high yield debt market strengthens again. If the junk bond market is weak for a while, the number of defaults and restructurings is likely to be even larger."

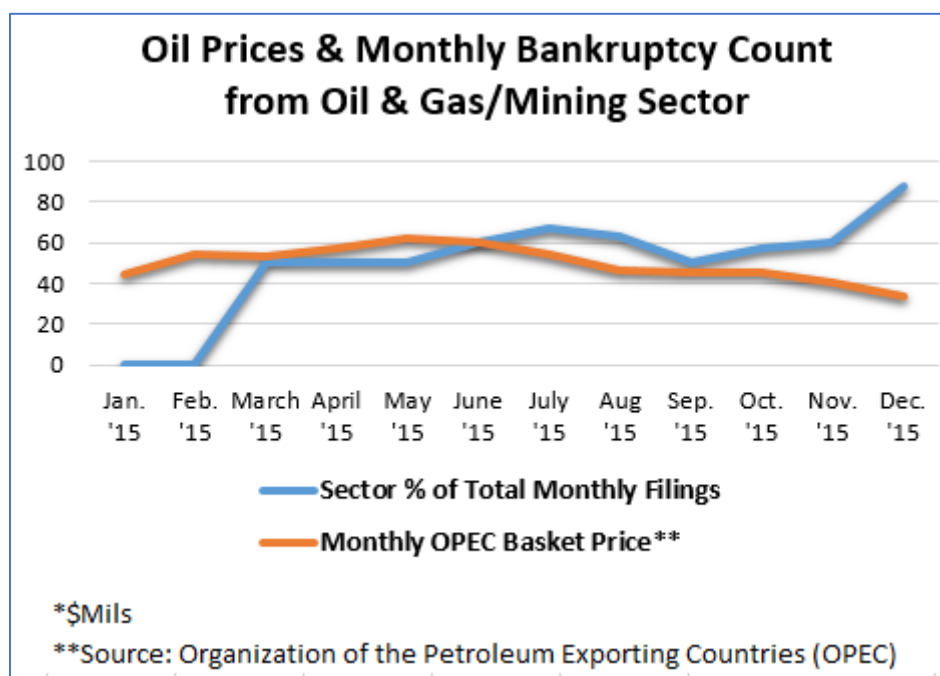
Although the Oil & Gas/Mining stampede to U.S. Bankruptcy Court did not kick off until early March, the sector's dominance continued to mount right up until the final moments of 2015—with Swift Energy's \$2 billion New Year's Eve filing capping off the year. This upward trend and its direct relation to the decline in crude oil prices is discussed below. Not only was the volume of public company bankruptcies from this sector (40 of the total 79 filings) noteworthy, so too was the size of companies seeking U.S. Bankruptcy Court protection. As indicated in the chart below, 13 of 2015's Oil & Gas/Mining debtors listed pre-petition assets greater than \$1 billion, and nine of those were over \$2 billion.

2015 Billion-\$ Oil & Gas/Mining Bankruptcies

<u>Company</u>	<u>Bankruptcy Date</u>	<u>Description</u>	<u>Assets** (\$Mils)</u>
Alpha Natural Resources, Inc.	08/03/15	Coal Producer & Marketer	10,736
Samson Resources Corporation	09/16/15	Oil & Gas Expl. & Production	5,608
Walter Energy, Inc.	07/15/15	Coal Producer & Marketer	5,386
Offshore Group Investment Ltd.	12/03/15	International Offshore Drilling	3,507
Molycorp, Inc.	06/25/15	Rare Earth Materials Mining	2,576
Sabine Oil & Gas Corporation	07/15/15	Oil & Gas Expl. & Production	2,438
Swift Energy Company	12/31/15	Oil & Gas Expl. & Production	2,173
Patriot Coal Corporation	05/12/15	Coal Producer & Marketer	2,072
Hercules Offshore, Inc.	08/13/15	Oil & Gas Expl. & Production	2,002
Magnum Hunter Resources Corp.	12/15/15	Oil & Gas Expl. & Production	1,670
Allied Nevada Gold Corp.	03/10/15	Gold & Silver Production	1,513
Energy & Exploration Partners, Inc.	12/07/15	Oil & Gas Expl. & Production	1,308
Quicksilver Resources Inc.	03/17/15	Oil & Gas Expl. & Production	1,037

As the chart below reflects, the Oil & Gas/Mining bankruptcy rush gained speed after March 2015, pronouncedly spiking in 4Q15 as oil prices plummeted. The sector felt even more pressure when the junk bond market melted down in December 2015. Energy-related bankruptcies skyrocketed in December 2015, with seven of the month's eight public filings Oil & Gas related.

Of course, many Oil & Gas/Mining sector companies did manage to limp through 2015, but none emerged unscathed. Looking to Wall Street, the Energy Select Sector Index was down more than 23%; and many of the smaller capitalization exploration & production and mining stocks were down a lot more than that. Similarly, the Energy industry was also the big spoiler in the high yield bond arena in 2015. Energy bonds, which had grown to be nearly 20% of the high yield index 18 months ago, were crushed—with many dropping down to 20 or 30 cents on the dollar or less.



Turning our focus to overall U.S. Bankruptcy Court trends, although public company filings rose dramatically, the broader business bankruptcy sector, in general, did not. Consistent with the past several years, the downward spiral of total business bankruptcies continued through 2015, with a 14% decline compared to 2014. 2015's filing totals reflect the sixth consecutive decline. Remarkably, the 2015 figure represents roughly 33% of the business bankruptcy activity docketed in 2009. It is interesting to note, however, that we have recently seen a marked reduction in this year-over-year decline: Between 2010 and 2014, business bankruptcies dropped an average of 22% year-over-year—versus the 14% seen between 2014 and 2015.

In terms of publicly traded bankruptcies, 2015's average per-filing pre-petition asset figure fell 23% from \$1.33 million to \$1.03 million, once again largely as a result of the Energy Future Holdings case. Incidentally, that 2014 asset count was the highest seen since 2011. Although 2015 saw several billion-dollar Chapter 11's, none of this year's filings were large enough to rank on the largest historic bankruptcies list.

10 Largest All Time Public Bankruptcies (Excluding Financial Companies)

<u>Company</u>	<u>Bankruptcy Date</u>	<u>Description</u>	<u>Assets** (\$Mils)</u>
WorldCom, Inc.	07/21/02	Telecommunications	\$103,914
General Motors Corporation	06/01/09	Auto Mfg./Retailer	91,047
Enron Corp.	12/02/01	Energy Trading/Gas	65,503
Energy Future Holdings Corp.	04/29/14	Electric Utility Company	40,970
Chrysler LLC	04/30/09	Auto Mfg./Retailer	39,300

Pacific Gas & Electric Co.	04/06/01	Electricity & Natural Gas	36,152
Texaco, Inc.	04/12/87	Petroleum & Petrochemicals	34,940
Global Crossing, Ltd.	01/28/02	Global Telecommunications	30,185
Lyondell Chemical Company	01/06/09	Global Chemical Mfg.	27,392
Calpine Corporation	12/20/05	Integrated Power Company	27,216

The Oil & Gas/Mining sector's extraordinary dominance of the 2015 corporate bankruptcy landscape represents a marked departure from the past several years, during which a wider range of industries were more equally represented. Despite this most recent activity, it is not at all unusual to see a bankruptcy cycle defined by a particular industry (or industries)—although that percentage is typically dramatically lower than the 51% Oil & Gas/Mining filings experienced in 2015. For example, 2000-03 and 2008-09, were respectively dominated by Telecom/Technology and Financial Service industries.

Looking back at 2015, BankruptcyData.com's research reveals a 14% decline in overall business bankruptcies but a 46% uptick in public company Chapter 11 filings—with a striking 51% of those filings coming from the battered Oil & Gas/Mining sectors. Looking forward, economic indicators point to further increases in corporate bankruptcy, in general, and Energy-related filings, in particular. Just a few days into 2016 and beyond, this viewpoint has already been validated by Arch Coal's long-awaited \$8 billion Chapter 11 filing—and continuing oil price plummets severe enough that OPEC's President, Emmanuel Kachikwu, has confirmed that an emergency meeting is likely necessary to address "shattered" economies.

For those in the distressed arena, this could result in contrarian investing opportunities. Commenting on these U.S. Bankruptcy Court trends and their Wall Street impact, Putnam sees the silver lining: "We believe that there will be many good investment opportunities among the current crop of distressed securities. If oil prices were to rebound from their current level of about \$35 per barrel to \$60 to \$70 per barrel—still well shy of the June 2014 price of around \$100 per barrel—many of the oil & gas bonds currently trading for pennies on the dollar would soar. Moreover, the near panic selling that we've seen in many corners of the high yield bond market in the last few months has a number of bonds in a variety of industries ripe for a significant rebound."

Public Companies/Assets Filing for Bankruptcy

Year	Filings	Assets** (\$Mils)	Avg. Assets** (\$Mils)
1980	62	\$1,671	\$27
1981	74	4,703	64
1982	84	9,103	108
1983	89	12,523	141
1984	121	6,530	54
1985	149	5,831	39
1986	149	13,033	87
1987	112	41,503	371

1988	122	43,488	356
1989	135	71,371	529
1990	115	82,781	720
1991	123	93,624	761
1992	91	64,226	706
1993	86	18,745	218
1994	70	8,337	119
1995	85	23,107	272
1996	86	14,201	165
1997	83	17,247	208
1998	122	29,195	239
1999	145	58,760	405
2000	187	100,882	539
2001	265	267,203	1,008
2002	229	401,063	1,751
2003	176	100,214	569
2004	93	47,802	514
2005	86	133,843	1,556
2006	66	22,257	337
2007	78	70,525	904
2008	138	1,159,351	8,401
2009	211	593,733	2,813
2010	106	89,109	840
2011	86	103,990	1,209
2012	87	70,843	814
2013	71	42,641	600
2014	54	71,918	1,332
2015	79	81,246	1,028

* BankruptcyData.com defines publicly traded as those companies with common stock and/or bonds that are publicly traded on U.S. markets.

** Total asset figures are pre-petition and taken from each debtor's most recent Annual Report filed with the Securities and Exchange Commission (SEC).

Disclaimer: BankruptcyData.com collects its information from the U.S. Bankruptcy Court and SEC. Although sources are believed to be reliable, accuracy cannot be guaranteed. New Generation Research thoroughly analyzed and audited all bankruptcy figures and statistics; however, certain details may require adjustment pending untimely SEC reporting and/or delayed U.S. Bankruptcy Court docketing.

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For additional information on corporate bankruptcies, visit <http://www.bankruptcydata.com>. A division of George Putnam, III's New Generation Research, Inc., BankruptcyData.com, provides news, retention data, financial history, creditor information, reorganization plan analysis and more for publicly traded companies that have filed for bankruptcy protection since 1980; and its extensive databases can be searched by assets, industry, filing date and company name.

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